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# FEDERAL DIVERSIPLEX LIMITED

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## Annual Report

For the Year Ended

March 29, 1975



## **FEDERAL DIVERSIPLEX LIMITED**

### **ANNUAL AND SPECIAL GENERAL MEETING**

The Annual and Special General Meeting of Shareholders will be held in The Manitoba Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario at 10:00 o'clock in the forenoon on Wednesday, September 17, 1975.

# FEDERAL DIVERSIPLEX LIMITED

## BOARD OF DIRECTORS

[illegible]

Audit Committee Chairman (\*\*) and Members (\*)

## EXECUTIVE OFFICERS

[illegible]

## AUDITORS

Coopers & Lybrand - - - - - Toronto

## SOLICITORS

Fasken & Calvin - - - - - Toronto

## BANKERS

Canadian Imperial Bank of Commerce - Toronto and Bradford

## STOCK LISTING

Toronto Stock Exchange - - - - - Toronto

## REGISTRAR & TRANSFER AGENT

National Trust Company, Limited - - Toronto and Montreal

## EXECUTIVE OFFICES

931 Yonge Street - - - - - Toronto



# FEDERAL DIVERSIPLEX LIMITED

## REPORT TO SHAREHOLDERS

The fiscal year ended March 29, 1975 has been a year of decision for your Company.

Sales reduced from \$7,334,535 in 1974 to \$3,741,560 in 1975 due to the previously reported sale of dairy and snack food divisions. The regular pre-tax earnings were \$117,285 in 1975 but write-off of introductory U.S. marketing costs of the HONEYDEW Division reduced this figure to \$11,277 versus \$160,126 in 1974.

After careful consideration of alternatives, your Directors have determined the best apparent future course of action for your Company is as follows:

- 1) To sell or lease the 54,000 ft. main production plant at Bradford and to lease out any portion of the storage and ancillary buildings not utilized in Federal's own farming operations.
- 2) To sell, subject to shareholders approval at the forthcoming Annual and Special General Meeting, machinery and equipment related to vegetable operations to Hardee Farms International Ltd. at their fair market value of \$449,555 as determined by National Appraisal Consultants Limited of Toronto.
- 3) To retain and continue expansion of the HONEYDEW Division in Canada and the United States and to continue the related trademarks in various other countries.
- 4) To retain and expand profitable fresh and peeled vegetable sales volume of Federal in both the retail and institutional markets.
- 5) To continue development of heat processed vegetables in flexible vacuum packages.
- 6) To retain the major landholding aspect of your Company's profitable agricultural operation.

One point of interest to shareholders is that Federal is now engaged in the growing of seed potatoes in the Bancroft area. The purpose of this is to alleviate dependence on others for high quality disease-free seed stock.

The continuing loyalty and support of customers and employees is greatly appreciated.

Respectfully submitted on behalf of the Board,

  
Chairman

July 30, 1975

# FEDERAL DIVERSIPLEX LIMITED

## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended March 29, 1975

	1975 \$	1974 (note 12) \$
Net Sales		
Foodstuffs - - - - -	3,741,560	1,603,260
Dairy and snack (discontinued operations) - - - - -	—	5,731,275
	<u>3,741,560</u>	<u>7,334,535</u>
Cost of sales and other expenses - - - - -	3,405,970	6,947,063
Depreciation - - - - -	102,914	121,122
	<u>3,508,884</u>	<u>7,068,185</u>
	232,676	266,350
Interest - - - - -	115,391	106,224
	<u>117,285</u>	<u>160,126</u>
HONEYDEW U.S. marketing costs - - - - -	106,008	—
Earnings before provision for income taxes and extraordinary items - - - - -	11,277	160,126
Provision for income taxes - - - - -	5,300	72,000
Earnings for the year before extraordinary items - - - - -	5,977	88,126
Extraordinary items (note 8) - - - - -	5,300	613,546
Net earnings for the year - - - - -	<u>11,277</u>	<u>701,672</u>
Earnings per share:		
Earnings before provision for income taxes and extraordinary items - - -	1¢	18¢
Earnings before extraordinary items - - - - -	1¢	10¢
Net earnings for the year - - - - -	<u>1¢</u>	<u>79¢</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended March 29, 1975

	1975 \$	1974 \$
Retained earnings—beginning of year - - - - -	1,090,805	389,133
Net earnings for the year - - - - -	11,277	701,672
Retained earnings—end of year (note 7) - - - - -	<u>1,102,082</u>	<u>1,090,805</u>



# FEDERAL DIVERSIPLEX LIMITED

## CONSOLIDATED BALANCE SHEET AS AT MARCH 29, 1975

### ASSETS

	1975 \$	1974 \$
<b>CURRENT ASSETS</b>		
Cash - - - - -	—	47,883
Accounts receivable - - - - -	386,429	379,580
Balance due on sale of dairy assets - - - - -	—	1,225,000
Inventories (note 2) - - - - -	806,274	480,973
Current portion of debenture and mortgages receivable (note 3) - - - - -	20,000	38,000
Prepaid expenses - - - - -	35,472	72,733
	<u>1,248,175</u>	<u>2,244,169</u>
 DEBENTURE AND MORTGAGES RECEIVABLE, less current portion (note 3) -	 54,087	 102,587
 FIXED ASSETS (note 4) - - - - -	 2,205,512	 2,028,768
 PRODUCT DEVELOPMENT COSTS (note 5) - - - - -	 41,992	 —
 TRADEMARKS—HONEYDEW AND GOODWILL—at cost - - - - -	 484,726	 478,466
  Signed on behalf of the Board:		
 C. H. FRANKLIN, <i>Director</i>		
D. E. FOYSTON, <i>Director</i>		
	<u>4,034,492</u>	<u>4,853,990</u>

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Federal Diversiplex Limited as at March 29, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

## LIABILITIES

	1975 \$	1974 \$
CURRENT LIABILITIES		
Bank advances (note 6) - - - - -	847,037	1,325,000
Accounts payable and accrued liabilities - - - - -	255,260	538,072
Current portion of long-term debt - - - - -	—	70,000
	<u>1,102,297</u>	<u>1,933,072</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

Authorized—

1,500,000 common shares without par value

Issued and fully paid—

891,380 common shares - - - - -	1,830,113	1,830,113
RETAINED EARNINGS (note 7) - - - - -	<u>1,102,082</u>	<u>1,090,805</u>
	<u>2,932,195</u>	<u>2,920,918</u>
	<u>4,034,492</u>	<u>4,853,990</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 29, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 16, 1975

COOPERS & LYBRAND,  
Chartered Accountants

# FEDERAL DIVERSIPLEX LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended March 29, 1975

	1975 \$	1974 \$
SOURCE OF FUNDS		
Earnings for the year before extraordinary items - - - - -	5,977	88,126
Add: Depreciation and other items not requiring an outlay of funds - -	101,539	85,122
Total from operations - - - - -	107,516	173,248
Reduction of income taxes on application of prior years' losses - - - - -	5,300	107,000
Debenture and mortgages receivable - - - - -	48,500	273,791
Sale of non-current assets (including goodwill of \$275,000) - - - - -	—	954,486
	<u>161,316</u>	<u>1,508,525</u>
USE OF FUNDS		
Purchase of fixed assets - - - - -	278,283	100,991
Trademarks and development costs - - - - -	48,252	—
Reduction of long-term debt - - - - -	—	442,792
Fixed assets at dates of acquisition - - - - -	—	128,956
Purchase of HONEYDEW and goodwill - - - - -	—	478,466
	<u>326,535</u>	<u>1,151,205</u>
INCREASE (DECREASE) IN WORKING CAPITAL - - - - -	(165,219)	357,320
WORKING CAPITAL (DEFICIENCY)—BEGINNING OF YEAR - - - - -	311,097	(46,223)
WORKING CAPITAL—END OF YEAR - - - - -	<u>145,878</u>	<u>311,097</u>



# FEDERAL DIVERSIPLEX LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 29, 1975

### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiaries of the company.

### 2. INVENTORIES—AT THE LOWER OF COST OR NET REALIZABLE VALUE

	1975 \$	1974 \$
Foodstuffs - - - - -	326,389	226,937
Packaging materials - - - - -	69,985	29,878
Finished goods - - - - -	386,466	165,191
Seed and fertilizer - - - - -	23,434	58,967
	<u>806,274</u>	<u>480,973</u>

### 3. DEBENTURE AND MORTGAGES RECEIVABLE

	1975			1974
	Current \$	Long-term \$	Total \$	Total \$
Calvert-Dale Estates Limited, 7¼% convertible sinking fund debenture, due December 16, 1976 - - - - -	20,000	54,087	74,087	94,087
Sundry mortgages - - - - -	—	—	—	46,500
	<u>20,000</u>	<u>54,087</u>	<u>74,087</u>	<u>140,587</u>

### 4. FIXED ASSETS

Fixed assets are stated at values appraised in 1961 with subsequent additions at cost.

	1975 \$	1974 \$
Buildings and equipment - - - - -	3,597,892	3,347,019
Accumulated depreciation - - - - -	2,243,756	2,169,627
	<u>1,354,136</u>	<u>1,177,392</u>
Land - - - - -	851,376	851,376
	<u>2,205,512</u>	<u>2,028,768</u>

### 5. PRODUCT DEVELOPMENT COSTS

Production development costs represent the net expenditures in the research and marketing of the Redi-Brand line of product. During the year the company received government assistance in the amount of \$68,299 which has been applied as a reduction in the amount shown on the balance sheet.

### 6. BANK ADVANCES

Bank advances are secured by book debts and inventories.

### 7. RETAINED EARNINGS

Retained earnings includes a balance of \$784,933 representing the excess of appraised valued of fixed assets over cost thereof in 1961.

## 8. EXTRAORDINARY ITEMS

	1975 \$	1974 \$
Gain on sale of assets used in discontinued operations (less applicable income taxes of \$35,000) - - - - -	—	506,546
Reduction of income taxes on application of prior years' losses - - - - -	<u>5,300</u>	<u>107,000</u>
	<u>5,300</u>	<u>613,546</u>

## 9. FOREIGN EXCHANGE

Individual assets and liabilities in U.S. dollars have been stated at par and an adjustment has been made in the accounts to give effect to the translation of net current assets in U.S. dollars to Canadian dollars at the rate of exchange prevailing at March 29, 1975.

## 10. REMUNERATION OF DIRECTORS AND OFFICERS

In accordance with the requirements of Section 122.2 of the Canada Corporations Act, the following information is reported:

	Number	Remuneration \$
Directors (3 are also officers) - - - - -	5	1,700
Officers - - - - -	7	87,800

## 11. FUTURE INCOME TAXES

	\$	\$
Losses available for tax purposes expiring—		
1976 - - - - -	123,000	
1977 - - - - -	172,100	
1979 - - - - -	<u>3,900</u>	299,000
Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes - - - - -		<u>447,000</u>
The tax effects of the above have not been reflected in the accounts - - - - -		746,000
In addition future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance and deductions in respect of cumulative eligible capital in the amount of approximately - - - - -		<u>279,800</u>
		<u>1,025,800</u>

Future income tax payments may also be reduced in future years, depending on the maximum allowed for tax purposes each year, by claiming deductions in respect of cumulative eligible capital in the amount of \$199,400.

## 12. COMPARATIVE FIGURES

The 1974 results of operations reflect the acquisitions of HONEYDEW Products and Panora Foods Limited from January 1, 1974 and January 31, 1974 respectively and the discontinuance of operations of the Madhatter label and distribution routes and Valley View Dairies effective November 16, 1973 and January 26, 1974 respectively.

## 13. SUBSEQUENT EVENT

Subsequent to the year end the company has agreed to sell, subject to shareholder approval, all of the machinery and equipment relating to the vegetable operations at their fair market value of \$449,555 as determined by National Appraisal Consultants Limited of Toronto. A gain of \$37,156 would be realized from this transaction.







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